

Regional Dialogue Contract Structure

12/3/07

- BPA has adopted most element elements of the contract structure proposed by customers on November 13, 2007. See the revised Table of Contents, including sections 1-9 (separate handout.)
- With minor exceptions, the contract body and exhibits follow the sequence proposed by customers.
- Most differences are due to:
 - References to “products” have been changed to a pricing construct
 - Some issues will be addressed in the Tiered Rates Methodology rather than the contract.
 - Combination of some exhibits
- We have added some recitals to contain some of the “foundational” issues customers has suggested be located in sections 3 and 4.
- We want to discuss with customers an additional, related issue: how to structure the contract for Slice customers while retaining the same standard approach for numbering contract sections and exhibits. For Slice customers, the high-level description of the Slice product would be in section 3 (similar to other products) but the details of the Slice product would be in a new section 20, 21, 22, etc. or as exhibits to the contract.
- See the following pages for a detailed description of the contents of each section/exhibit and a comparison with the customers’ proposal.

Content of Contract Body

12/3/07

Body Section and Name	Body Subsection and Name	Description of Contents	Comparison with Customer's Proposed Exhibit Structure
Recital	N/A	High level description of the relationship between BPA and Customers, net requirements, and the general rationale for tiering rates.	Similar to Customer's section 3.
3. Priority Firm Power Product	3(a) Load Following, Block, or Slice/Block Product	Basic buy/sell relationship between BPA and Customer, description of core requirements product and amount of net requirements power being sold. Points to the Resource Commitments and Net Requirements exhibit (Ex A).	Similar to Customer's section 5. Also, similar to Customer's section 4(b) although specific net requirements information (annual determination, etc.) will be in Exhibit A.
	3(b) Right to Change Products	One-time contract right for product switching, by providing notice by FY2017 the customer may switch its product effective FY2020.	Referenced in Customer's section 5.
4(a) Applicable Rates – Priority Firm Power Rate	4(a)(1) Tiered PF Power Rates	Statement that BPA is tiering its PF power rates. References the TRM.	
	4(a)(2) Tier 1 System Capability	BPA will base its Tier 1 rates on the system resources applicable to Tier 1, established in the TRM. Points to the exhibit that lists the system resources applicable to Tier 1 (Ex B).	Similar to Customer's section 4(a).
	4(a)(3) Tier 1 Revenue Requirement	States that BPA will set the Tier 1 rates each rate period based on cost categories in the TRM.	Customer's section 4(f) includes a reference to a revenue requirement exhibit that will list the cost categories for Tier 1. Because it is a rate issue, BPA plans to publish cost categories in the TRM, instead of an exhibit to the contract.
	4(a)(4) Contract High Water Mark	Description of the CHWM and how it will be used to tier the PF rates. Points to HWM exhibit (Ex C). The exhibit is where the actual CHWM will be stated. The exhibit will also state the conditions for changing the CHWM.	Similar to Customer's section 4(c).

Body Section and Name	Body Subsection and Name	Description of Contents	Comparison with Customer's Proposed Exhibit Structure
	4(a)(5) Rate Period High Water Mark	Description of the RPHWM and how it will be used to tier the PF rates. States that the RPHWM will be established prior to each rate period according to a methodology published in the TRM. Points to the HWM exhibit (Ex C) where the formula for calculating RPHWMs will be stated.	Similar to Customer's section 4(d)
	4(a)(6) Amount of Tier 2 PF Purchases	Description of how the amounts of Tier 2 purchases will be calculated in relationship to the HWM and net requirements. Points to the Rate Commitments for Net Requirements Power Exhibit (Ex D).	Customer's section 4(e) includes the frequency in which Tier 2 elections are made. Frequency of commitments for load service above HWM is in BPA's section 5.
4(b) Applicable Rates – New Resource Firm Power Rate	4(b) New Resource Firm Power Rate	Description of the NR rate.	Not included in customer proposal
4(c) Applicable Rates – Firm Power Products and Services Rates	4(c) Firm Power Products and Services Rates	Description of the FPS rate schedule.	Not included in customer proposal
5. Commitment for Load Service Above RPHWM	5(a) Notice of Initial Commitment	States when a customer must commit to its load service above its RPHWM for FY2012-FY2014.	Similar to Customer's section 7. Customer's section 8, the Tier 2 rate alternatives, will be in the TRM.
	5(b) Notice of Subsequent Commitments	States when a customer must make its above-HWM commitments for the FY2014-FY2028 delivery period.	
	5(c) Failure to Commit	States consequence if customer fails to meet the commitment obligations.	
	5(d) Declaration Details	Points to where the above-HWM commitments are listed in the contract. If customer elects to serve load above-HWM with customer resources, commitments are in the Resource Commitments and Net Requirements Exhibit (Ex A). If customer elects to purchase Tier 2 from BPA, commitments are in the Rate Commitments for Net Requirements Exhibit (Ex D).	

Body Section and Name	Body Subsection and Name	Description of Contents	Comparison with Customer's Proposed Exhibit Structure
	5(e) Prior Commitments	States any prior commitments a customer makes prevail over any additional commitments a customer makes under sections 5(a) and 5(b).	

Content of Contract Exhibits

12/3/07

Exhibit Number and Name	Description of Contents	Related Contents of TRM or Rate Case	Frequency of Revisions	Comparison with Customer's Proposed Exhibit Structure
Exhibit A – Resource Commitments and Net Requirements	<p>1. Includes net requirement amounts and the method and frequency with which net requirements are calculated.</p> <p>2. Includes non-federal resource commitments and the method and frequency with which resource commitments may be updated.</p>	N/A	At least annually (all customers)	Same as Customer's Exhibit D

Exhibit Number and Name	Description of Contents	Related Contents of TRM or Rate Case	Frequency of Revisions	Comparison with Customer's Proposed Exhibit Structure
Exhibit B – System Resources Applicable to the Tier 1 Rate	<p>1. Includes a list of the system resources applicable to the Tier 1 rate.</p> <p>2. States that the TRM will have the process and methodology for calculating the capability of the system resources applicable to Tier 1 and “off-the-top” system obligations</p>	<p>1. TRM includes the manner and frequency in which the Tier 1 system capabilities will be determined.</p> <p>2. TRM includes the manner in which off-the-top obligations (existing and new) will reduce the system resources applicable to Tier 1.</p>	Never	<p>1. Combines Customer's Exhibits A & B</p> <p>2. The description of the manner and frequency in which the Tier 1 system current capabilities and the system obligations are determined will be in the TRM.</p> <p>3. The description of general categories of future obligations that could reduce the Tier 1 system will be in the TRM</p>
Exhibit C – High Water Marks	<p>1. Specifies the utility's Contract High Water Mark (CHWM). Also describes the conditions under which such CHWM may change, and the timing and method of calculating a revised CHWM when appropriate</p> <p>2. Specifies how and when a utility's Rate Period High Water Marks (RPHWM) are calculated (i.e. CHWM * FBS T1 scaling factor calc'd based on capability updates to resources listed in Exhibit B.)</p>	<p>1. TRM includes methodology for determining CHWM and RPHWM</p> <p>2. Tier 1 FBS “Scaling Factor” for calculation of RPHWM</p>	Rarely (all customers)	<p>1. Combines Customer's Exhibits C & E</p> <p>2. Actual RPHWM number will not be identified in the contract but will be published prior to each rate period (points to CHWM and rate case inputs from which it can be derived)</p>

Exhibit Number and Name	Description of Contents	Related Contents of TRM or Rate Case	Frequency of Revisions	Comparison with Customer's Proposed Exhibit Structure
Exhibit D – Rate Commitments for Net Requirements Power	<p>1. Specifies amount of Tier 1 and 2 priced power based on net requirements in Exhibit A, RPHWM from Exhibit C, and Tier 2 elections.</p> <p>2. Specifies T2 elections and associated obligations of BPA to sell and customer to purchase power at such Tier 2 rates (i.e. all terms and conditions of specific Tier 2 alternative).</p>	<p>1. Tier 1 and Tier 2 PF rate schedules will be in the rate case.</p> <p>2. The rate designs will be in the TRM.</p>	At least every two years. Annual revisions may be necessary (when net requirement declines).	Combines Customer's Exhibits F & G
Exhibit E – Rate Adjustments, Additional Products, and Special Provisions	Specifies RSS elections, rate adjustments (e.g. IRM), FPS purchases, and other special provisions	<p>1. RSS pricing, FPS rate schedules, and IRM credits will be in each rate case.</p> <p>2. The pricing methodologies will be in the TRM</p>	As needed (if RSS purchased, at least for every 5-year commitment period)	Combines Customer's Exhibits K & M.
Exhibit F – Metering	Specifies metering requirements	N/A	As needed	Not included in customer proposal
Exhibit G – Scheduling	Specifies scheduling requirements	N/A	As needed	Same as Customer Exhibit L
Exhibit H – Principles of Non-Federal Transfer Service	Specifies principles to guide the development of agreements for transfer of non-Federal power. Included only in contracts of transfer customers.	N/A	Rarely	Not included in customer proposal

Customer Exhibits not Adopted	Description of Contents as Shown in Customer Proposal	Where Topic is Covered
Customer Exhibit I – Tier 1 Revenue Requirement	List of the categories of costs that will make up the Tier 1 revenue requirement and the detailed methodologies for allocating costs between Tier 1 and non-Tier 1 when necessary.	TRM
Customer Exhibit J – Applicable Rate Schedules	The rate schedules and GRSPs applicable to the utility will be	Section 4 of the body (Applicable Rates) will reference the rate

	attached as this exhibit.	schedules.
--	---------------------------	------------